Westwind Children's Services - Entity ID 6363
School:
Westwind Preparatory Academy
Westwind Prep at Anthem

Renewal Executive Summary

Sources of Evidence for this Document

Pursuant to A.R.S. 15-183.I, a charter may be renewed for successive periods of twenty years. The Arizona State Board for Charter Schools (Board) has established a process for the renewal of a charter that is based on affirmative evidence in three areas:

I. Success of the academic program, including academic achievement
II. Viability of the organization, including fiscal management and compliance
III. Adherence to the terms of the charter, including contract and legal compliance

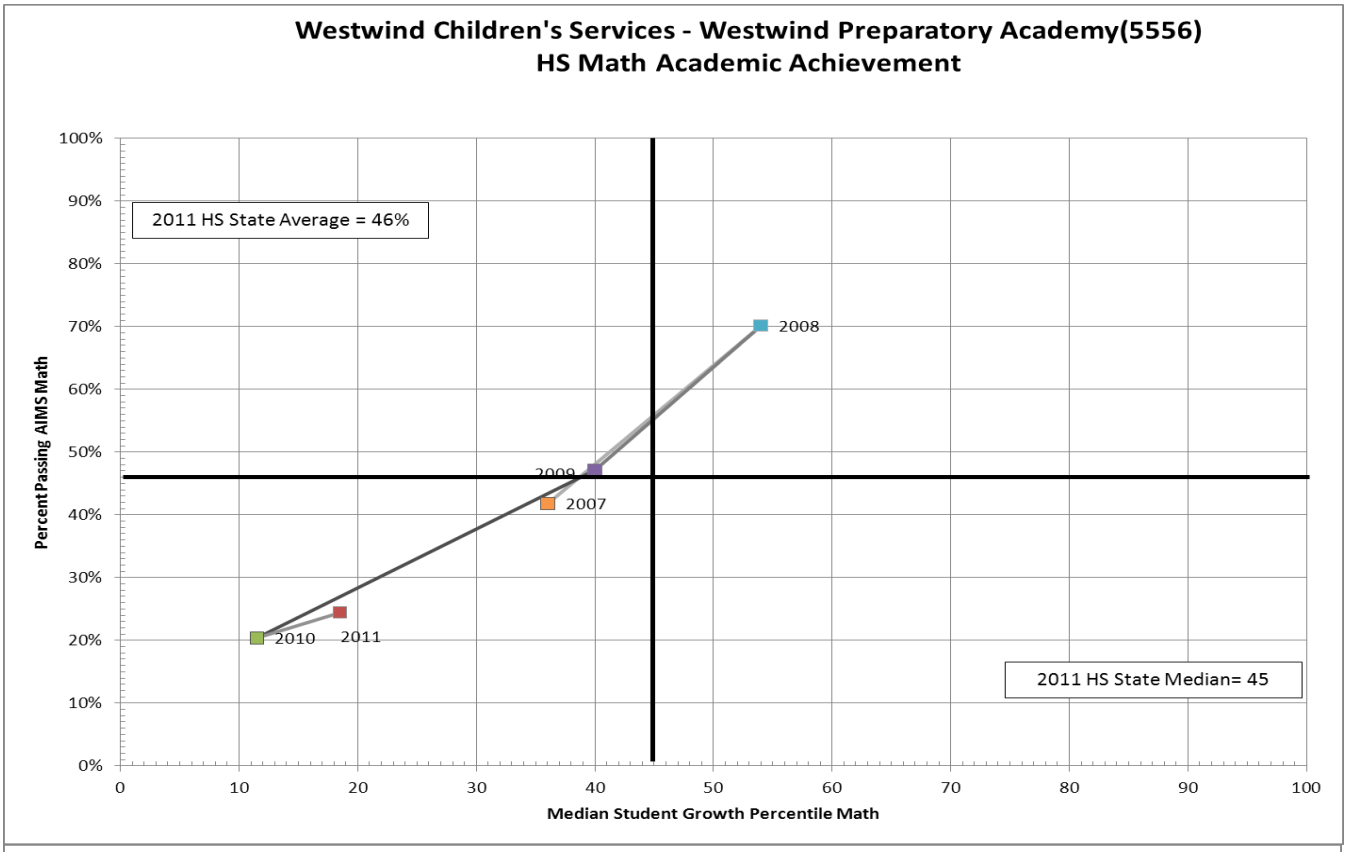
Evaluation of the charter holder's success in these three areas is based on a variety of information that will serve as sources of evidence in determining renewal of a charter. These sources include, but are not limited to:

- Pupil achievement data
- Independent financial audits
- Five-year interval summary reviews
- Site visit reports
- Monitoring reports
- Application package for renewal

Profile

Westwind Children's Services operates two schools serving grades 9-12.

Graphs displaying the academic achievement for the past five years, if available, are provided on the next page.


Westwind Children's Services - Westwind Preparatory Academy(5556)
HS Math Academic Achievement
2011 HS State Average = 46%
2011 HS State Median= 45
2008
2009
2007
2010
2011
Percent Passing AIMS Math
Median Student Growth Percentile Math
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
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10
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30
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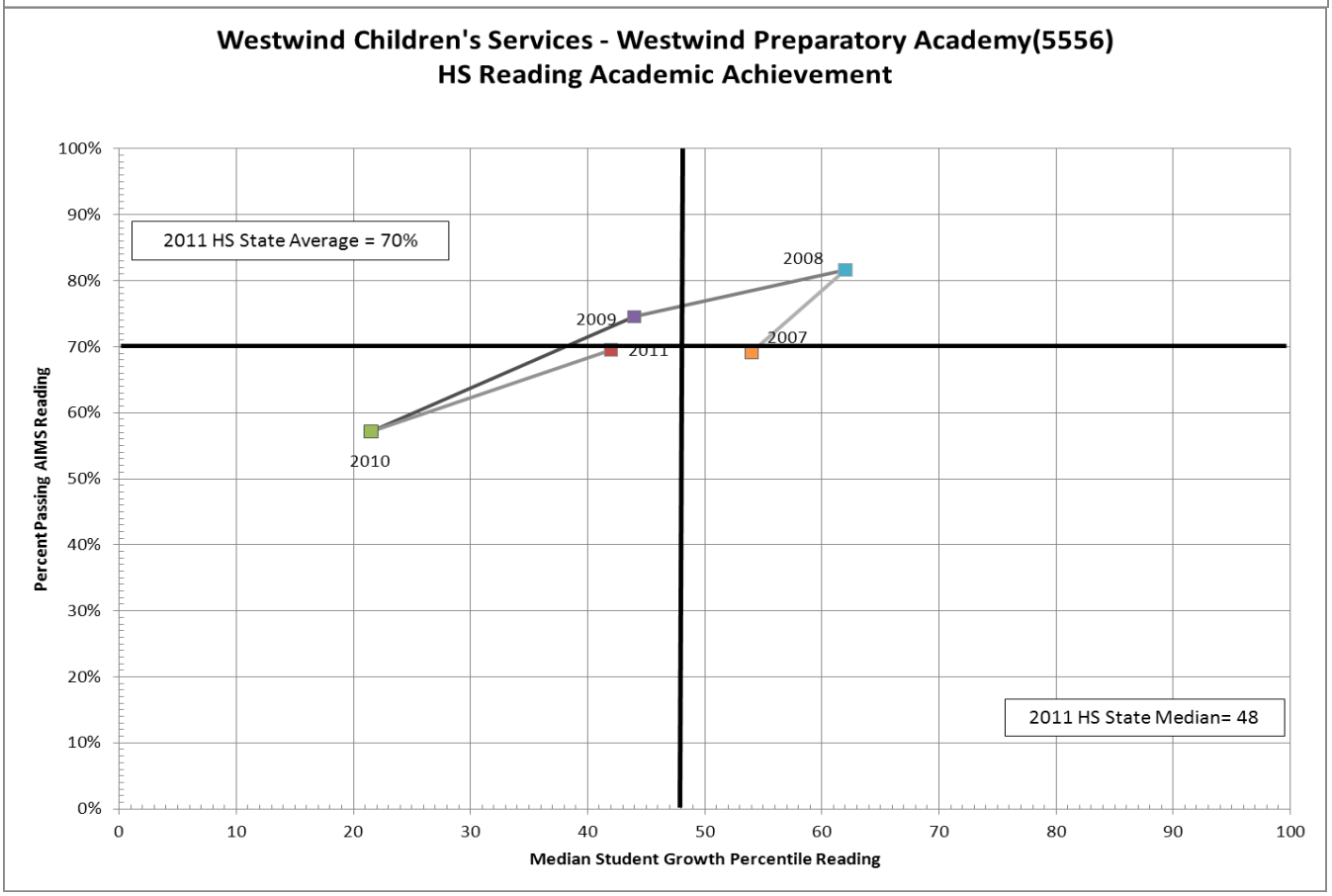
100


Westwind Children's Services - Westwind Preparatory Academy(5556)
HS Reading Academic Achievement
2011 HS State Average = 70%
2011 HS State Median= 48
2008
2009
2011
2007
2010
Percent Passing AIMS Reading
Median Student Growth Percentile Reading
100%
90%
80%
70%
60%
50%
40%
30%
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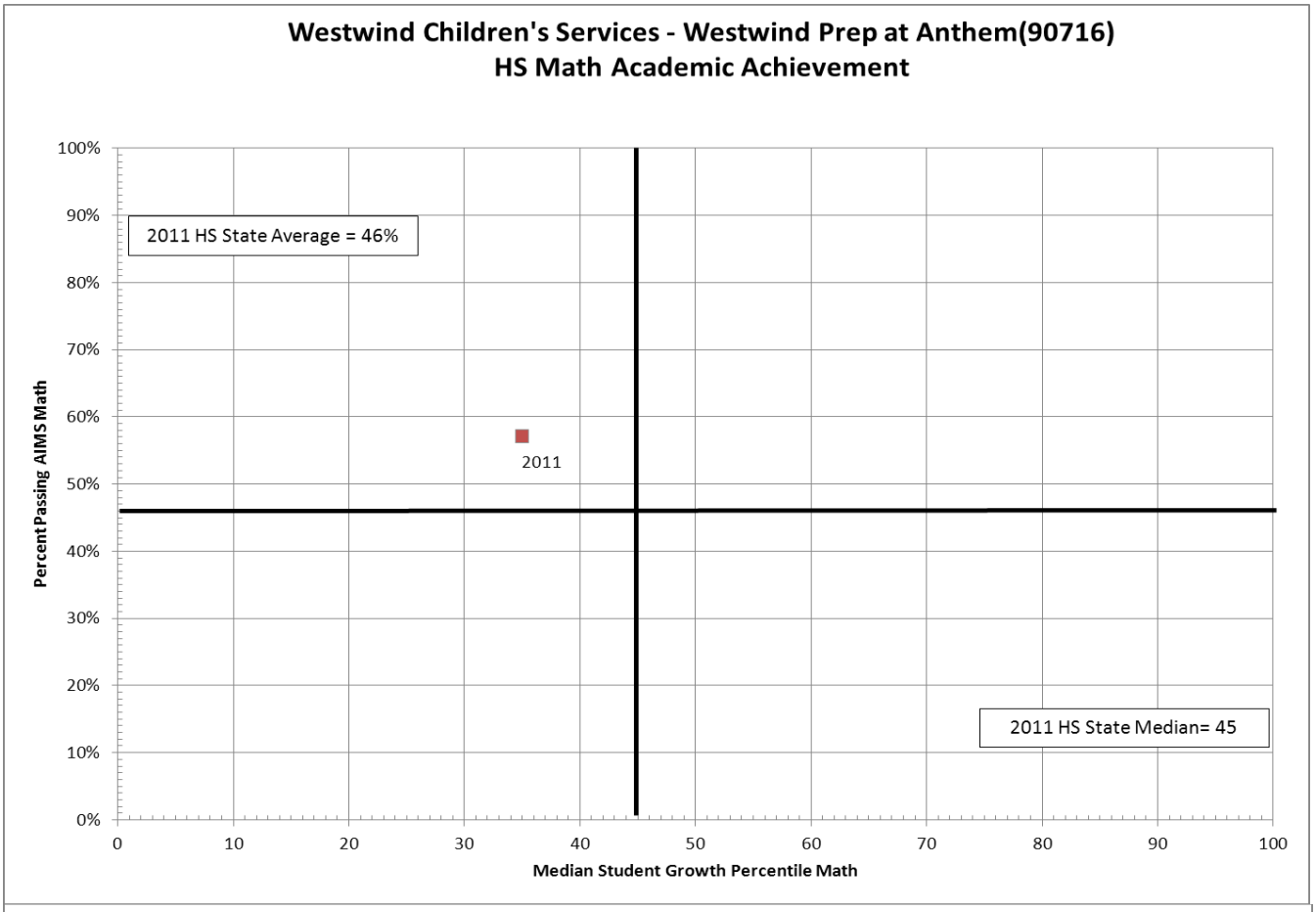
Westwind Children's Services - Westwind Prep at Anthem(90716)
HS Math Academic Achievement
2011 HS State Average = 46%
2011
2011 HS State Median= 45
Percent Passing AIMS Math
Median Student Growth Percentile Math
100%
90%
80%
70%
60%
50%
40%
30%
20%
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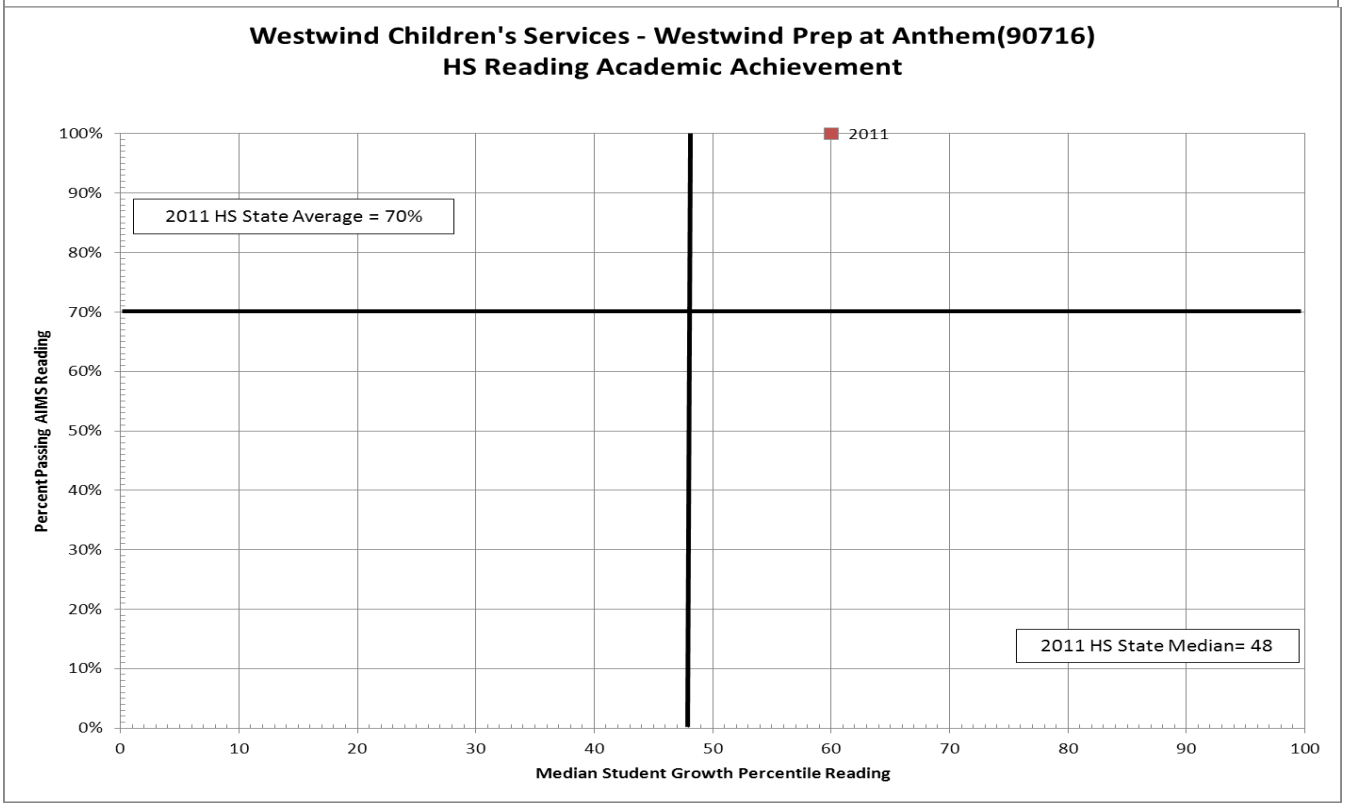
Westwind Children's Services - Westwind Prep at Anthem(90716)
HS Reading Academic Achievement
2011
2011 HS State Average = 70%
2011 HS State Median= 48
Percent Passing AIMS Reading
Median Student Growth Percentile Reading
100%
90%
80%
70%
60%
50%
40%
30%
20%
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I. Success of the Academic Program

The academic performance of the school operated by the charter holder did not meet or demonstrate sufficient progress toward the Board's level of adequate academic performance. Therefore, the charter holder was required to submit a Performance Management Plan in the academic section of the renewal application and to complete the Renewal Budget Plan.

A PMP narrative and templates were submitted on January 23, 2012.

A leadership team discussion took place on March 21, 2012, at Westwind Preparatory Academy with Debra Slagle (Charter Representative and Superintendent), Matt Allen (Principal) and Jack Rowe (Director of Curriculum and Instruction). Because the narrative portion of the Performance Management Plan submitted by the charter holder was a comprehensive representation of the school improvement and data collection/analysis efforts for the previous five years, the focus of the leadership team discussion was on improvement efforts being implemented at this time and for the next several years as represented in the plan. A major emphasis will be on instructional improvement while transitioning to implementation of the Arizona Academic Standards (Common Core). The Performance Management Plan focuses on school-wide processes rather than content-specific items. Some additional efforts that have occurred recently include replacing a site administrator and increasing accountability for staff. Planned improvements include providing professional development focused on implementation of the standards; increasing the use of assessments to guide instruction and monitor student achievement; and continuing the process of becoming an International Baccalaureate School. In addition, the Director of Curriculum and Instruction has been trained by ADE to serve as a trainer for Common Core and is working with teachers to develop and pilot lessons using the standards. Information gleaned during the discussion supported the Performance Management Plan narrative and templates submitted.

Required submissions for the Academic Performance Section and the Renewal Budget Plan, as well as the applicable evaluation instrument and checklist, are included in the charter holder's portfolio. The evaluation instrument completed by staff identifies whether the required information provided included a Full Description, a Partial Description, or a Very Limited Description. The checklist completed by staff identifies whether the required elements of the Detailed Business Plan were addressed.

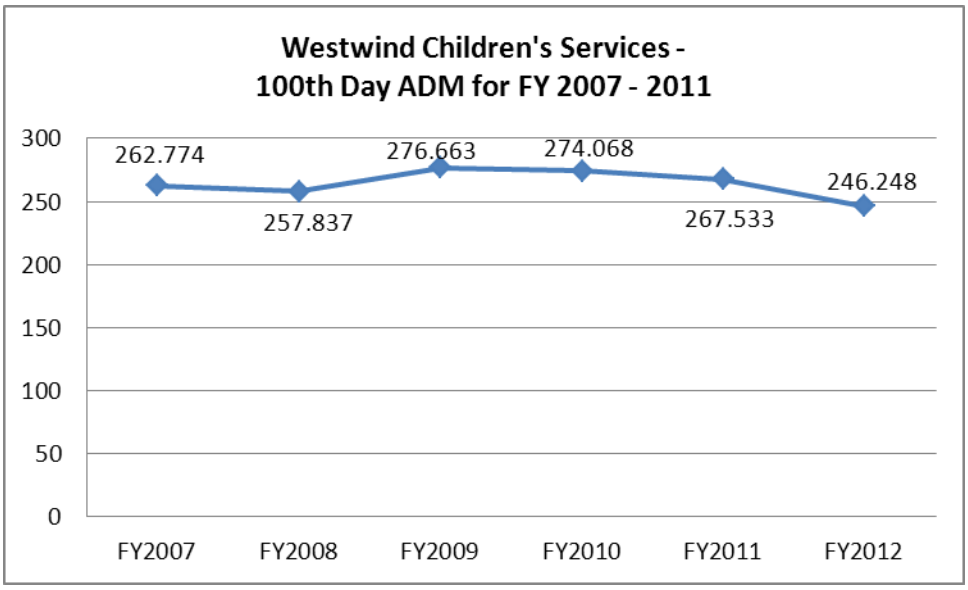
II. Viability of the Organization

Because the charter holder's fiscal years 2009 and 2010 audits identified negative net assets at the end of the year, the charter holder was required to complete the Renewal Budget Plan and submit the Financial Sustainability Narrative and supporting evidence. Subsequent to the charter holder's notification date, the Board received the charter holder's fiscal year 2011 audit. The fiscal year 2011 financial statements were prepared assuming the organization will continue as a going concern.[1] Required submissions for the charter holder's Financial Sustainability portion of the Detailed Business Plan Section of the application and the applicable

[1] "Going concern" is the idea that an organization will continue to engage in its activities for the foreseeable future. If the auditor doubts that the organization will exist for at least the next year, the auditor's report would include a paragraph indicating this, as was the case with Westwind Children's Services.

checklist are included in the charter holder's portfolio.[2] The checklist completed by staff identifies whether the required elements of the Detailed Business Plan were addressed.

The graph below shows the charter holder's actual 100th day average daily membership (ADM) for fiscal years 2007 through 2011 and the fiscal year 2012 ADM as of March 9, 2012. The ADM of 256 included in the Renewal Budget Plans for fiscal year 2012 is similar to the 40th day ADM of 254.726 included in reports available through the Arizona Department of Education's (ADE) website, but is approximately 10 ADM higher than the charter holder's current 100th day ADM.



As demonstrated in the graph above, the charter holder's ADM has decreased by approximately 30 from fiscal year 2009 to fiscal year 2012. The projected ADM included in the Renewal Budget Plans for fiscal year 2013 anticipates growth of around 30% from fiscal year 2012.[3] For fiscal years 2014 and 2015, the Renewal Budget Plans anticipate annual growth of approximately 6%.

In reviewing the five most recent audits (2007-2011), the charter holder has experienced a loss in each of the last three fiscal years. For the year ending June 30, 2011, the decrease in net assets was $410,612. As of June 30, 2011, the charter holder had negative net assets of $1,036,941. Although not to the same degree, this situation also existed in each of the other fiscal years in the five-year period. As of June 30, 2011, the charter holder did not have sufficient cash or other readily available resources [$140,170] to satisfy obligations due within the next year [$1,295,290]. The fiscal year 2011 audit also identified noncompliance with federal and state payroll tax reporting requirements. (Please see " III. Adherence to the Terms

[2] Documentation provided to add two members to the corporate board was excluded from the portfolio as it includes confidential information (e.g., Social Security numbers). Additionally, the PDF, which included documents demonstrating payments made to the Internal Revenue Service and Arizona Department of Revenue, was modified before it was inserted in the portfolio to remove pages containing sensitive information (e.g., bank account numbers).

[3] Using the charter holder's current fiscal year 2012 ADM as reported by ADE, the growth would be approximately 34%. Using the fiscal year 2012 ADM as included in the Renewal Budget Plans, the growth would be approximately 29%.

of the Charter" section of this report for more information.) The Renewal Budget Plans project that after a loss in fiscal year 2012, revenues will annually exceed expenses in fiscal years 2013 through 2015.

In the Financial Sustainability Narrative, the charter holder states that several factors contributed to the organization's recent financial crisis, including the following: a) increases in expenditures, such as Arizona state retirement, classroom supplies, utilities, transportation, purchased services and insurance; b) the inability to restructure facilities financing to provide the facilities to meet the school's needs; and c) loss of enrollment.

According to the narrative, prior to the fiscal year 2011 audit's release, the management and board " were taking steps to reduce expenditures and consider other actions to resolve the current budget crisis and to avoid one in the future." The narrative and supporting evidence provide more detail, but between September 2011 and January 2012, over $200,000 was cut from the expenditure portion of the budget. Cuts to the expenditure budget were made through: a) a reduction in force; b) the use of an employee leasing company for some employees; c) cuts in purchasing of instructional and non-instructional supplies; d) charging back to employees a portion of insurance benefits; e) reducing extracurricular activities; and f) renegotiating amounts owed to some vendors. The narrative and supporting evidence also discuss the effect the school's facilities financing has had on the organization's financial situation and steps being taken related to this. In the renewal application package, the charter holder submitted two Renewal Budget Plans – one for if the school stays in its current location and one for if the school moves to a new location. Further, the narrative notes the charter holder's efforts over the past three years to change the composition of the charter holder board to ensure members contribute crucial areas of expertise.

III. Adherence to the Terms of the Charter

A. Compliance Matters Requiring Board or Other Agency Action[4]

In November 2011, the Board voted to withhold 10% of the charter holder's monthly State aid apportionment for failure to timely submit the fiscal year 2011 audit. The withholding occurred for one month.

In September 2010, ADE requested that the charter holder submit specific compliance activities, regarding State Formula Grant Programs under the authority of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 pursuant to 34 CFR 80.40 and 80.42 through Arizona Local Education Agency Tracker (ALEAT). The original submission deadline for this was October 20, 2010. As of June 2011, the charter holder failed to submit 2010-2011 Cycle 1 Monitoring compliance activities. Title I, Title II-A and Title II-D funds were scheduled to be placed on programmatic hold unless the charter holder submitted the required Cycle 1 compliance activities, including supporting documentation, via ALEAT within 15 days of the date of the notification. In November 2010 ADE reported the compliance issues as resolved.

[4] For more information about the areas of compliance reviewed for this section, please see the "Renewal Guide".

During fiscal years 2007 through 2012, the charter holder has frequently failed to timely submit member and employer contributions to the Arizona State Retirement System (ASRS). On three occasions during this time period, the ASRS has garnished the charter holder's monthly state aid as follows:

- July 2007 – $56,752.70
- October 2011 – $43,556.30
- December 2011 – $38,439.62

As of March 15, 2012, the charter holder had submitted member and employer contributions to ASRS through January 31, 2012. As of April 3, 2012, ASRS indicated that the charter holder had submitted additional payments, but that these payments had not yet cleared. Contributions are due to ASRS 14 days after the pay period ending.

B. Other Compliance Matters[5]

In April 2008, ADE Exceptional Student Services notified the charter holder of partial compliance and non-compliance in some areas with regard to specific regulations for Part B, Individuals with Disabilities Education Act (IDEA), and the Arizona Revised Statutes. The compliance issues were reported by ADE as resolved in September 2008.

The fiscal year 2011 audit identified an issue that required a corrective action plan (CAP). The audit indicated that the charter holder is delinquent on its federal and state payroll tax deposits. Specifically, as of June 30, 2011 and November 30, 2011, the total balance owed to the Internal Revenue Service (IRS) was $76,080 and $300,045, respectively. Additionally, the charter holder owed payroll taxes to the Arizona Department of Revenue (ADOR) as of June 30, 2011 and November 30, 2011 of $8,563 and $43,183, respectively. During the CAP process, the charter holder has been responsive to Board staff's requests for information. The CAP has not yet been closed out as Board staff continues to monitor the charter holder's efforts to timely submit current year payroll taxes to the IRS and ADOR and to make additional payments to the IRS towards back taxes owed. In the information submitted, which has been included in the portfolio, the charter holder:

- Stated that it met with its IRS revenue officer on February 15, 2012. During the visit, the revenue officer provided a list of items that were needed and asked that they be provided by March 20th. The charter holder states that this information was mailed to the revenue officer the last week of February. During the meeting, the revenue officer advised the charter holder that it could take a few months to have an official payment plan approved. In the meantime, the charter holder states that the revenue officer has advised it to continue to make monthly payments and provide documentation. The charter holder indicates that it provides the revenue officer with documentation of its payroll tax payments each time it has had a pay day.
- Provided evidence that it has made voluntary payments totaling $20,000 toward the back taxes owed to the IRS as follows:
    - $5,000 on January 10, 2012
    - $5,000 on January 27, 2012
    - $5,000 on March 5, 2012
    - $5,000 on April 3, 2012

[5] For more information about the areas of compliance reviewed for this section, please see the "Renewal Guide".

- Provided the notification from the IRS indicating that penalties of $20,112.15 have been vacated. The charter holder has indicated that these penalties were vacated by the IRS " because the organization had such a good track record of paying on time" .
- Provided evidence that the back payroll taxes owed to the ADOR were paid in full as of April 2, 2012.
- Provided evidence that it has deposited the required federal and state payroll tax amounts for payrolls ending between December 31, 2011 and March 15, 2012.
- Provided the other information requested by Board staff, including the steps taken by the charter holder to ensure payroll taxes continue to be timely submitted to the IRS and ADOR and the reasons for the increases in back payroll taxes owed to the IRS and ADOR between June 30, 2011 and November 30, 2011.

The fiscal year 2008 audit identified an issue that required a CAP. The audit indicated that the charter holder had not made the required contributions to the ASRS and indicated that the amount underfunded was $29,473. At the time of the CAP request, the ASRS Delinquency Report provided to the Board also indicated that the charter holder was not current with contributions. The charter holder submitted a satisfactory CAP.

Further, the fiscal years 2010 and 2009 audits identified repeat issues. For fiscal year 2010, the audit identified a repeated issue involving the charter holder's due from and due to related party transactions not always being accounted for through a receivable or payable as necessary. For fiscal year 2009, the audit identified a repeated issue involving the charter holder not having the ability to prepare financial statements in accordance with Generally Accepted Accounting Principles.

For the previous five fiscal years, the charter holder has failed to timely submit its annual audit for one or more years.

C. Charter Holder's Organizational Membership

Because the organizational membership on file with the Board was consistent with the information on file with the Arizona Corporation Commission, the charter holder was not required to submit the charter holder's Organizational Membership portion of the Detailed Business Plan Section.

Board Options

Option 1: The Board may approve the renewal. Staff recommends the following language for consideration: Renewal is based on consideration of academic, fiscal and contractual compliance of the charter holder. In this case, there is a record of academic performance below the Board's level of adequate academic performance, which has been addressed by the charter holder through the inclusion of a performance management plan as part of the renewal application package and can be incorporated in the charter contract. There is also a record of past contractual noncompliance which has been reviewed. With that taken into consideration as well as all information provided to the Board for consideration of this renewal application package and during its discussion with representatives of the charter holder, I move to approve the request for charter renewal and grant a renewal contract to Westwind Children's Services that incorporates the performance management plan.

Option 2: The Board may deny the renewal. The following language is provided for consideration: Based upon a review of the information provided by the representatives of the charter holder and the contents of the application package which includes the academic performance, the fiscal compliance, and legal and contractual compliance of the charter holder over the charter term, I move to deny the request for charter renewal and to not grant a renewal contract for Westwind Children's Services. Specifically, the charter holder, during the term of the contract, failed to meet the obligations of the contract or failed to comply with state law when it:

1. Failed to provide a learning environment to improve pupil achievement in accordance with A.R.S. § 15-181(A).
2. Failed to comply with state laws regarding member and employer contributions to the Arizona State Retirement System.
3. Other specific reasons the Board may have found during its consideration including…